



4000-01-U

DEPARTMENT OF EDUCATION

Federal Need Analysis Methodology for the 2016-17 Award Year--Federal Pell Grant, Federal Perkins Loan, Federal Work-Study, Federal Supplemental Educational Opportunity Grant, William D. Ford Federal Direct Loan, Iraq and Afghanistan Service Grant and TEACH Grant Programs

AGENCY: Federal Student Aid, Department of Education.

ACTION: Notice.

Catalog of Federal Domestic Assistance (CFDA) Numbers: 84.063; 84.038; 84.033; 84.007; 84.268; 84.408; 84.379.

SUMMARY: The Secretary announces the annual updates to the tables used in the statutory Federal Need Analysis Methodology that determines a student's expected family contribution (EFC) for award year 2016-17 for these student financial aid programs. The intent of this notice is to alert the financial aid community and the broader public to these required annual updates used in the determination of student aid eligibility.

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SUPPLEMENTARY INFORMATION: Part F of title IV of the Higher Education Act of 1965, as amended (HEA), specifies the criteria, data elements, calculations, and tables the Department of Education (Department) uses in the Federal Need Analysis Methodology to determine the EFC.

Section 478 of the HEA requires the Secretary to annually update the following four tables for price inflation--the Income Protection Allowance (IPA), the Adjusted Net Worth (NW) of a Business or Farm, the Education Savings and Asset Protection Allowance, and the Assessment Schedules and Rates. The updates are based, in general, upon increases in the Consumer Price Index (CPI).

For award year 2016-17, the Secretary is charged with updating the IPA for parents of dependent students, adjusted NW of a business or farm, the education savings and asset protection allowance, and the assessment schedules and rates to account for inflation that took place between December 2014 and December 2015. However, because the Secretary must publish these tables before

December 2015, the increases in the tables must be based on a percentage equal to the estimated percentage increase in the Consumer Price Index for All Urban Consumers (CPI-U) for 2015. The Secretary must also account for any under- or over-estimation of inflation for the preceding year.

In developing the table values for the 2015-16 award year, the Secretary assumed a 1.8 percent increase in the CPI-U for the period December 2013 through December 2014.

Actual inflation for this time period was .8 percent. The Secretary estimates that the increase in the CPI-U for the period December 2014 through December 2015 will be 2.5 percent.

Additionally, section 601 of the College Cost Reduction and Access Act of 2007 (CCRAA, Pub. L. 110-84) amended sections 475 through 478 of the HEA affecting the IPA tables for the 2009-10 through 2012-13 award years and required the Department to use a percentage of the estimated CPI to update the table in subsequent years. These changes to the IPA impact dependent students, as well as independent students with dependents other than a spouse and independent students without dependents other than a spouse. This notice includes the new 2016-17 award year values for the IPA tables, which reflect the

CCRAA amendments. The updated tables are in sections 1 (Income Protection Allowance), 2 (Adjusted Net Worth of a Business or Farm), and 4 (Assessment Schedules and Rates) of this notice.

As provided for in section 478(d) of the HEA, the Secretary must also revise the education savings and asset protection allowances for each award year. The Education Savings and Asset Protection Allowance table for award year 2016-17 has been updated in section 3 of this notice.

Section 478(h) of the HEA also requires the Secretary to increase the amount specified for the employment expense allowance, adjusted for inflation. This calculation is based on increases in the Bureau of Labor Statistics' marginal costs budget for a two-worker family compared to a one-worker family. The items covered by this calculation are: food away from home, apparel, transportation, and household furnishings and operations. The Employment Expense Allowance table for award year 2016-17 has been updated in section 5 of this notice.

The HEA requires the following annual updates:

1. Income Protection Allowance. This allowance is the amount of living expenses associated with the

maintenance of an individual or family that may be offset against the family's income. The allowance varies by family size. The IPA for the dependent student is \$6,400. The IPAs for parents of dependent students for award year 2016-17 are as follows:

Family Number	Parents of Dependent Students				
	in College				
Size	1	2	3	4	5
2	\$17,840	\$14,790			
3	\$22,220	\$19,180	\$16,130		
4	\$27,440	\$24,390	\$21,350	\$18,300	
5	\$32,380	\$29,320	\$26,290	\$23,240	\$20,200
6	\$37,870	\$34,820	\$31,780	\$28,730	\$25,690

For each additional family member add \$4,270. For each additional college student subtract \$3,040.

The IPAs for independent students with dependents other than a spouse for award year 2016-17 are as follows:

Family Number	Independent Students With Dependents Other Than a Spouse				
	in College				
Size	1	2	3	4	5
2	\$25,210	\$20,900			
3	\$31,390	\$27,100	\$22,790		
4	\$38,760	\$34,460	\$30,170	\$25,850	
5	\$45,740	\$41,420	\$37,130	\$32,830	\$28,540
6	\$53,490	\$49,190	\$44,910	\$40,580	\$36,300

For each additional family member add \$6,040. For each additional college student subtract \$4,290.

The IPAs for single independent students and independent students without dependents other than a spouse for award year 2016-17 are as follows:

Marital Status	Number in College	IPA
Single	1	\$9,960
Married	2	\$9,960
Married	1	\$15,960

2. Adjusted Net Worth of a Business or Farm. A portion of the full NW (assets less debts) of a business or farm is excluded from the calculation of an expected contribution because (1) the income produced from these assets is already assessed in another part of the formula; and (2) the formula protects a portion of the value of the assets.

The portion of these assets included in the contribution calculation is computed according to the following schedule. This schedule is used for parents of dependent students, independent students without dependents other than a spouse, and independent students with dependents other than a spouse.

If the NW of a Business or Farm is	Then the Adjusted NW is
Less than \$1	\$0
\$1 to \$125,000	\$0 + 40% of NW
\$125,001 to \$380,000	of NW over \$50,000 + 50% \$125,000
\$380,001 to \$635,000	\$177,50 of NW over 0 + 60% \$380,000

\$635,001 or more	\$330,500 + 100 % of NW over \$635,000
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3. Education Savings and Asset Protection

Allowance. This allowance protects a portion of NW (assets less debts) from being considered available for postsecondary educational expenses. There are three asset protection allowance tables: one for parents of dependent students, one for independent students without dependents other than a spouse, and one for independent students with dependents other than a spouse.

Parents of Dependent Students		
If the age of the older parent is	And they are	
	Married	Single
	Then the education savings and asset protection allowance is	
25 or less	0	0
26	400	200
27	700	400
28	1,100	600
29	1,500	900
30	1,900	1,100
31	2,200	1,300
32	2,600	1,500
33	3,000	1,700
34	3,400	1,900

3	3,700	2,100
5		
3	4,100	2,300
6		
3	4,500	2,600
7		
3	4,900	2,800
8		
3	5,200	3,000
9		
4	5,600	3,200
0		
4	5,700	3,300
1		
4	5,900	3,400
2		
4	6,000	3,500
3		
4	6,100	3,500
4		
4	6,300	3,600
5		
4	6,400	3,700
6		
4	6,600	3,800
7		
4	6,800	3,900
8		
4	6,900	4,000
9		
5	7,100	4,000
0		
5	7,300	4,100
1		
5	7,500	4,200
2		
5	7,700	4,300
3		
5	7,900	4,400
4		
5	8,100	4,600
5		
5	8,300	4,700
6		
5	8,500	4,800
7		

5		
8	8,800	4,900
5		
9	9,000	5,000
6		
0	9,300	5,100
6		
1	9,500	5,300
6		
2	9,800	5,400
6		
3	10,100	5,500
6		
4	10,400	5,700
6		
5 or older	10,700	5,800

Independent Students With Dependents Other Than a Spouse		
If the age of the student is	And they are	
	Married	Single
	Then the education savings and asset protection allowance is	
25 or less	0	0
26	400	200
27	700	400
28	1,100	600
29	1,500	900
30	1,900	1,100
31	2,200	1,300
32	2,600	1,500
33	3,000	1,700
34	3,400	1,900
35	3,700	2,100
36	4,100	2,300
37	4,500	2,600
38	4,900	2,800
39	5,200	3,000
40	5,600	3,200
41	5,700	3,300
42	5,900	3,400
43	6,000	3,500
44	6,100	3,500
45	6,300	3,600

46	6,400	3,700
47	6,600	3,800
48	6,800	3,900
49	6,900	4,000
50	7,100	4,000
51	7,300	4,100
52	7,500	4,200
53	7,700	4,300
54	7,900	4,400
55	8,100	4,600
56	8,300	4,700
57	8,500	4,800
58	8,800	4,900
59	9,000	5,000
60	9,300	5,100
61	9,500	5,300
62	9,800	5,400
63	10,100	5,500
64	10,400	5,700
65 or older	10,700	5,800

Independent Students Without Dependents Other Than a Spouse		
If the age of the student is	And they are	
	Married	Single
	Then the education savings and asset protection allowance is	
2 or less	0	0
2	400	200
3	700	400
4	1,100	600
5	1,500	900
6	1,900	1,100
7	2,200	1,300
8	2,600	1,500
9	3,000	1,700

3		
3		
4	3,400	1,900
3		
5	3,700	2,100
3		
6	4,100	2,300
3		
7	4,500	2,600
3		
8	4,900	2,800
3		
9	5,200	3,000
4		
0	5,600	3,200
4		
1	5,700	3,300
4		
2	5,900	3,400
4		
3	6,000	3,500
4		
4	6,100	3,500
4		
5	6,300	3,600
4		
6	6,400	3,700
4		
7	6,600	3,800
4		
8	6,800	3,900
4		
9	6,900	4,000
5		
0	7,100	4,000
5		
1	7,300	4,100
5		
2	7,500	4,200
5		
3	7,700	4,300
5		
4	7,900	4,400
5		
5	8,100	4,600
5		
5	8,300	4,700

6		
5		
7	8,500	4,800
5		
8	8,800	4,900
5		
9	9,000	5,000
6		
0	9,300	5,100
6		
1	9,500	5,300
6		
2	9,800	5,400
6		
3	10,100	5,500
6		
4	10,400	5,700
6		
5 or older	10,700	5,800

4. Assessment Schedules and Rates. Two schedules that are subject to updates--one for parents of dependent students and one for independent students with dependents other than a spouse--are used to determine the EFC from family financial resources toward educational expenses. For dependent students, the EFC is derived from an assessment of the parents' adjusted available income (AAI). For independent students with dependents other than a spouse, the EFC is derived from an assessment of the family's AAI. The AAI represents a measure of a family's financial strength, which considers both income and assets.

The parents' contribution for a dependent student is

computed according to the following schedule:

If AAI is	Then the Contribution is
Less than -\$3,409	-\$750
\$15,90	
-\$3,409 to 0	22% of AAI
\$20,00	of AAI \$15,90
\$15,901 to 0	\$3,498 + 25% over 0
\$24,10	of AAI \$20,00
\$20,001 to 0	\$4,523 + 29% over 0
\$28,20	of AAI \$24,10
\$24,101 to 0	\$5,712 + 34% over 0
\$32,20	of AAI \$28,20
\$28,201 to 0	\$7,106 + 40% over 0
\$32,201 or more	of AAI \$32,20
	\$8,706 + 47% over 0

The contribution for an independent student with dependents other than a spouse is computed according to the following schedule:

If AAI is	Then the Contribution is
Less than -\$3,409	-\$750
\$15,90	
-\$3,409 to 0	22% of AAI
\$20,00	\$3,498 + 25% of AAI \$15,90
\$15,901 to 0	over 0
\$24,10	\$4,523 + 29% of AAI \$20,00
\$20,001 to 0	over 0
\$28,20	\$5,712 + 34% of AAI \$24,10
\$24,101 to 0	over 0
\$32,20	\$7,106 + 40% of AAI \$28,20
\$28,201 to 0	over 0
\$32,201 or more	\$8,706 + 47% of AAI \$32,20
	over 0

5. Employment Expense Allowance. This allowance for employment-related expenses--which is used for the parents of dependent students and for married independent students--recognizes additional expenses incurred by

working spouses and single-parent households. The allowance is based on the marginal differences in costs for a two-worker family compared to a one-worker family.

The items covered by these additional expenses are: food away from home, apparel, transportation, and household furnishings and operations.

The employment expense allowance for parents of dependent students, married independent students without dependents other than a spouse, and independent students with dependents other than a spouse is the lesser of \$4,000 or 35 percent of earned income.

6. Allowance for State and Other Taxes. The allowance for State and other taxes protects a portion of parents' and students' incomes from being considered available for postsecondary educational expenses. There are four categories for State and other taxes, one each for parents of dependent students, independent students with dependents other than a spouse, dependent students, and independent students without dependents other than a spouse. Section 478(g) of the HEA directs the Secretary to update the tables for State and other taxes after reviewing the Statistics of Income file data maintained by the Internal Revenue Service.

	Parents of dependents and independents with dependents other than a spouse		Dependents and independents without dependents other than a spouse
State	Percent of Total Income		All
	Under \$15,000	\$15,000 & Up	
Alabama	3%	2%	2%
Alaska	2%	1%	0%
Arizona	4%	3%	2%
Arkansas	4%	3%	3%
California	7%	6%	5%
Colorado	4%	3%	3%
Connecticut	8%	7%	5%
Delaware	5%	4%	3%
District of Columbia	7%	6%	5%
Florida	3%	2%	1%
Georgia	5%	4%	3%
Hawaii	5%	4%	4%
Idaho	5%	4%	3%
Illinois	6%	5%	3%
Indiana	4%	3%	3%
Iowa	5%	4%	3%
Kansas	5%	4%	3%
Kentucky	5%	4%	4%
Louisiana	3%	2%	2%
Maine	6%	5%	4%
Maryland	8%	7%	5%
Massachusetts	6%	5%	4%
Michigan	4%	3%	3%
Minnesota	6%	5%	4%
Mississippi	3%	2%	2%
Missouri	4%	3%	3%
Montana	4%	3%	3%
Nebraska	5%	4%	3%
Nevada	2%	1%	1%
New Hampshire	5%	4%	1%
New Jersey	9%	8%	4%
New Mexico	3%	2%	2%
New York	9%	8%	6%
North Carolina	5%	4%	4%

North Dakota	2%	1%	1%
Ohio	5%	4%	3%
Oklahoma	3%	2%	2%
Oregon	7%	6%	5%
Pennsylvania	5%	4%	3%
Rhode Island	7%	6%	3%
South Carolina	4%	3%	3%
South Dakota	2%	1%	1%
Tennessee	2%	1%	1%
Texas	3%	2%	1%
Utah	5%	4%	3%
Vermont	6%	5%	3%
Virginia	6%	5%	4%
Washington	3%	2%	1%
West Virginia	3%	2%	2%
Wisconsin	7%	6%	4%
Wyoming	1%	0%	1%
Other	2%	1%	1%

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James W. Runcie,
Chief Operating Officer
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